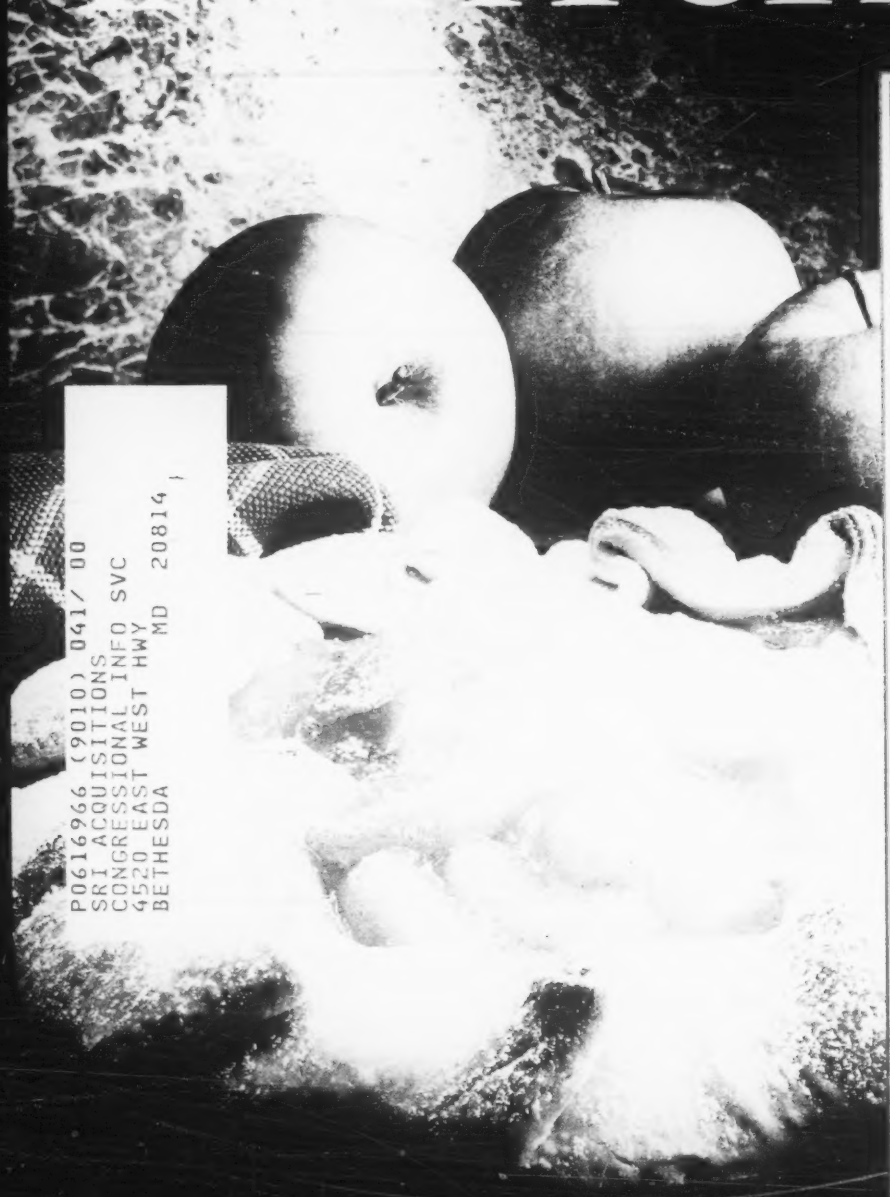
SERVING THE TOTAL FOODSERVICE INDUSTRY

SEPTEMBER 19, 1990

RESTAURANTS & INSTITUTIONS



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15 VERY HOT CONTRACT COMPANIES

A GUIDE TO RESTAURANT DOCTORS

Foreign Markets III: Europartners

TRATTORIA-STYLE ITALIAN

A CAHNERS PUBLICATION

SEPT. 19, 1990

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Trattoria-style Italian: casual with comfortable prices
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38 R&I EXCLUSIVE: CONTRACTORS ON THE GROW

R&I's research uncovers the strategies employed by foodservice management companies to maintain momentum in the marketplace. Large contractors say they will branch out and offer more services; smaller regional companies consider food quality and personal attention their competitive edge in winning accounts. Fifteen companies share the spotlight in this issue's Exclusive.

80 JOB$ '90 PART II: CAREER ATTITUDES

As in Part I of *R&I*'s annual JOB$ survey, Part II, in this issue, also employs a quiz format: this time to let readers discover how much their attitudes toward their jobs and foodservice as a career coincide with that of the 2,500-plus professionals we polled.

118 HOME-SWEET-HOME-STYLE DESSERTS

For too long, pies and other home-style American desserts suffered from the snobbery of fine-dining mentalities and the indifference of average cooks. Today, menu masters point to a trend toward old-fashioned desserts. See our back-to-the-future recipes in Taste.

158 ITALIAN FOODS: FASHIONABLE AND AFFORDABLE

Italian food, trattoria-style, is a trend worth watching. Served in small, storefront restaurants with little fanfare but a lot of panache, the cuisine meets both the public's desire for less expensive, more earthy foods and an operator's need to trim costs. Our Food section includes recipes from trattorias in Chicago, New York and Houston.

185 HOW TO BREW A BETTER CUP OF COFFEE

While patrons might not reject a restaurant simply on the basis of a less-than-great cup of coffee, it's the last impression they have of an operation and the meal served. A good cup of coffee provides an excellent return on investment—customers will be back for more of your quality service. On our Product Know-How pages, we present guidelines for better brewing.

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R&I REPORT

RESEARCH NOTES

IN BRIEF . . .

● The price premium on decaffeinated coffee (the result of costly chemical decaffeinating processes) might be eliminated in the future, thanks to a biotechnology food company that has found a way to genetically alter coffee beans. A firm in San Carlos, Calif., has devised a technique to insert foreign genes into *Coffea arabica*, the plant that accounts for 75% of world coffee production, according to a recent report in *Business Week*. The pro-

prietary process could produce coffee beans with better flavor, better yields, tougher resistance to pests—and naturally low caffeine levels.

● One of every six jobs created through the year 2000 will be located in California, according to a recent forecast published by the Commerce Department. Arizona and Nevada, however, will post the fastest growth rates in total personal income, jobs and population.

DATA DIGEST

FISH FRENZY

Seafood consumption increased to an all-time high of 15.9 pounds per capita in 1989, up from 15.2 pounds in 1988. Tuna, shrimp and cod continue to be consumers' favorites, but for the first time, catfish was ranked in the top five.

Alaskan pollock consumption also rose substantially, up to 1.4 pounds per person. A National Fisheries Institute official attributes this growth to changing American diets and new techniques in seafood production and processing, including the enormous success of surimi seafood. Alaskan pollock is the basic raw material used in surimi.

Fresh and frozen fish make up the bulk of the seafood market (10.5 pounds per capita in 1989 vs. 9.6 pounds in 1988), but canned tuna also showed an increase (from 3.6 pounds to 3.9 pounds).

TOP 10 FISH SPECIES

	Lbs./person
1. Tuna	3.90
2. Shrimp	2.30
3. Cod	1.69
4. Alaskan pollock	1.45
5. Catfish	0.69
6. Clams	0.61
7. Flounder/sole	0.57
8. Salmon	0.47
9. Scallops	0.33
10. Crab meat	0.29

Source: National Fisheries Institute

FREE MEAL TOP BENEFIT

Free or discounted meals, paid vacations and health insurance are the benefits most frequently offered to hourly employees, according to a new National Restaurant Association survey. Results are based on a sample of 339 NRA members with sales of more than $1 million a year.

More than 90% say they provide meals for hourly employees, and of those, approximately half offer the meals free of charge. Of those charging for meals, 75% offer a discount. The median discount is 50%.

Ninety percent offer paid vacation leave to employees who work a median of 30 hours a week and have been employed for a year.

Eighty-four percent provide medical-surgical coverage for hourly employees, and most of them offer dependent coverage as well. To be eligible, employees must work a median of 30 hours a week and be employed at least 13 weeks.

—Maureen Pratscher

TASTES OF AMERICA

ORIENTAL, OF COURSE

Oriental food is one of the most frequently ordered ethnic foods. Nearly 60% of those answering *R&I*'s 1990 Tastes of America survey had ordered Oriental food in the past year, and almost as many, 52.6%, had ordered it in the past month. Oriental food is particularly popular on the West Coast, perhaps because of the large Asian population there. About 29% of those in the West said they order Oriental food more than once a month.

■ EXPANSION PLANS

CONTRACTORS ON THE GROW

These 15 foodservice management companies say there is plenty of market share to be won. Here's what they are doing to keep growth on the rise.

By Beth Lorenzini

By 1992, foodservice management companies' share of the institutional market is expected to reach 48%, up 8% from the 1987 share figure, according to a Technomic report. Whether large, medium or small in size, those contractors showing healthy growth say the trick is knowing one's limitations—in other words, can they provide what the client wants? Depending on size, limitations are varied indeed.

The big national players can successfully grow by branching out into more regions, targeting more institutional segments and offering more services, such as facilities management and day care, than their regional counterparts. Most of the small regionals interviewed, on the other hand, are adamant about staying regional. They say their success depends upon remaining "niche" oriented, providing the very highest quality food and service to very selective clients.

While regionals consider food quality to be *the* point of difference between them and their competitors, national companies seem to feel their sticking point lies in other areas. "Among the large companies, there really isn't a great deal of difference in the quality of the foods served," says Michael Bailey, president of Trusthouse Forte Food Services. "So it's the small points of service and the time spent in response to customer needs that set the large companies apart—and that represent the greatest challenge."

The national contractors say they have the benefit of corporate resources and finances, a big help in creating high-ticket marketing and training programs. And, unlike regionals, large contractors are often in a better position to acquire smaller contractors, a key method of growth.

Regardless of the extent and character of the services they offer, all of the foodservice management companies feel there are plenty of clients to be won. "Some clients want the personalized local touch in foodservice," says Debi Benedetti, regional vice president for Bon Appétit, San Francisco. "Others want the resources and cost effectiveness they perceive a large national company can give them. Whatever the call, there is a contractor to fill the client's need."

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GROWTH CONTRACTORS

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Contractors have penetrated about 85% of the B&I segment, 30% of health care.

BON APPETIT MANAGEMENT CO.
San Francisco
Year established: 1987
No. of accounts: 30
Area of operation: West Coast
Sales: 1989: $30MM; '88: $15MM; '87: $5MM
Ownership: Private
No. of employees: 1,500
Strongest segment: B&I
Segments with most growth potential: Higher education, B&I

When Bon Appétit Management Company's Fidele Bauccio and Ernest Collins, two former Saga executives, launched their regional foodservice management company three years ago, they hit the ground running. The company realized a 200% increase in revenues between '87 and '88, and a 100% increase between '88 and '89. "I used to think we'd get to the $50- or $60-million mark and then growth would slow," says Bauccio. "I don't think that any more. The market is calling for what we do."

Yet Bon Appétit is careful about growth. "We don't want to see explosive growth because our success depends on being able to maintain our exceptional standards. One new account a month is about all we like to handle, even though we have calls for many more."

Bauccio says he has turned down potential clients when he felt philosophies might clash. "We are about food, period," he says. "If a client is only looking to the bottom line, we won't be able to work together because the driving force of our company is our passion for food. The client has to share that passion."

While the B&I segment is the strongest for Bon Appétit, the education division, which was started early in 1989, is showing fast growth, with eight accounts on the books already. "Colleges and universities are struggling to attract students," says Bauccio. "I've seen a real change in attitude by campus administrations—they are seeing fantastic foodservice as recruiting tool."

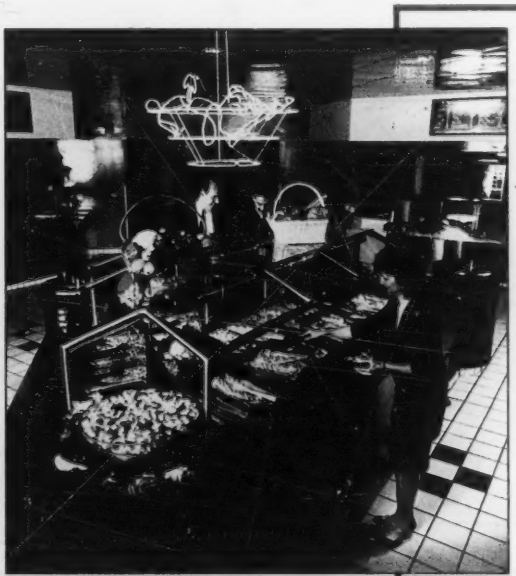
THE WOOD COMPANY
Allentown, Pa.
Year established: 1940
No. of accounts: 284
Area of operation: East Coast
Sales: 1989: $172.7MM; '88: $119.4MM; '87: Not applicable
Ownership: Private
No. of employees: 7,500
Strongest segments: B&I, nursing homes, higher education
Segment with most growth potential: Health care
Acquisitions: Food Concepts

The 1989 acquisition of Rutherford, New Jersey-based Food Concepts quickly made The Wood Co. a strong contender in B&I foodservice in the Eastern region. While it has clients in all institutional segments, the company is adamant about remaining regional, seeking business with accounts in New Jersey, Pennsylvania, New York, Connecticut, Virginia, Maryland and Delaware.

"One of our greatest strengths is our accessibility," says Diane Bumba, marketing director. "And that's because we are regional. When the client can call and easily get hold of our top executives, it has a major impact on how we're perceived. We are a family business in every sense."

The Wood Co. is very specific about how it intends to grow. It will continue to search for "intelligent acquisition opportunities" and it will continue to be selective about clientele. In the colleges and universities segment, one of its fastest-growing divisions, the company targets large institutions that are quality, not bottom-line, minded.

When it comes to B&I, Wood looks for white-collar businesses in Pennsylvania, New York and New Jersey that have 1,000 employees or more. Hospitals within a 90-mile radius of Wood's Allentown headquarters also are garnering interest from the company.



The Wood Co., celebrating its 50th anniversary, is a midsize regional contractor operating in the Eastern U.S. The company is resolute about remaining regional, espousing the "family business" approach to foodservice.

TRUSTHOUSE FORTE FOOD SERVICES
Trumbull, Conn.
Year established: 1978
No. of accounts: 510
Area of operation: National
Sales: 1989: $124MM; '88: $87MM; '87: $71MM
Ownership: Division of Trusthouse Forte PLC, London
No. of employees: 4,200
Strongest segment: B&I
Segments with most growth potential: Elder care, health care
Acquisitions: Creative Gourmets, Ideal Food Management, Servo Food Systems, Blaikie, Miller & Hines

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GROWTH CONTRACTORS

Most regional companies are adamant about staying small and specialized.

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Trusthouse Forte Food Services is a proponent of growth through acquisition—in the past five years it has taken Creative Gourmets, Boston; Ideal Food Management Systems, Miami; Servo Food Systems, San Francisco; and Blaikie, Miller & Hines, Stamford, Conn., under the corporate wing.

"It's important that the companies we acquire fit our niche," says Michael Bailey, president. "We can be described as an upscale foodservice provider, and we have a very strong people ethic." Growth through acquisition has certainly been a trend in the contract industry, adds Bailey. The only reason it might slow in the next few years is because there are fewer companies to acquire.

Bailey attributes successful acquisitions to two policies: Trusthouse believes in granting autonomy to acquired companies (a philosophy that goes for individual units as well), but at the same time, provides ample opportunity for employees to advance their careers within all subsidiaries of the parent company.

Most of the company's accounts are in the Northeast and Western regions of the United States, and efforts are under way to gain greater market share in the Midwest and South. As to new segments, the company sees great potential in the elder-care market. "That market presents a real challenge to us," says Bailey.

GUCKENHEIMER INC.
Redwood City, Calif.
Year established: 1969
No. of accounts: 117
Area of operation: West Coast
Sales: 1990: $47MM; '89: $36MM; '88: $29MM (fy ends 6/30)
Ownership: Private, with ESOP
No. of employees: 1,000
Strongest segment: B&I
Segment with most growth potential: Elder care

Any metro area west of the Mississippi is fair game for this upscale foodservice provider, but only if it represents a viable "market"; one choice account is not enough to bring the company into a new area. Portland, Ore., is one such area, while other markets in the Northwest and Southwest also are under consideration.

While the company's major segment is B&I, retirement-living facilities hold great potential, according to George Maciag, president. But the company is entering the segment with caution. "There is definitely some risk in the new facilities because there is no way to tell if they're going to make it," says Maciag. "So initially, we'll try them on a year-long test basis to see if they're financially viable." The company has considered health-care and education segments as well, but there are no plans to enter those markets right now.

Guckenheimer, like many of the small regional companies, has a reputation for being a great place to work, thanks to its pervasive family spirit, pride in service and benefits. Maciag adds that an employee stock-option plan, started in 1988, didn't make any major waves until employees started receiving statements. "They were already committed to quality," says Maciag. "But owning a share is definitely an incentive."

Michael Bailey, president of Trusthouse Forte Food Services, visits one of the company's B&I accounts, Richardson Vicks in Shelton, Conn. Trusthouse is a proponent of growth through acquisition.

TOTAL FOOD SERVICE DIRECTION
Miami
Year established: 1975
No. of accounts: 37
Area of operation: Florida
Sales: 1989: $10.8MM; '88: $8.4MM; '87: $7.9MM
Ownership: Private
No. of employees: 400
Strongest segment: B&I, higher education
Segment with most growth potential: Health care, private clubs

In 15 years of food management, Total Food Service Direction says it has never lost an account because a client was unhappy with service. Add to that the fact that the company has no sales staff, and it's a good bet TFSD is doing something right to account for its healthy growth rate (28.3% from '88 to '89 alone).

"Our clients are our sales staff," says Gus Gregory, president, explaining that all new accounts come through word-of-mouth recommendation. From-scratch food preparation, a restaurant-style approach to foodservice, the ability to implement trends quickly, and the freedom for employees to respond to customer requests immediately are what he says add to the company's good reputation. All employees know they can take charge of seeing to cus-

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GROWTH CONTRACTORS

Service response is the differentiating factor for large contractors.

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tomers' needs without fear of the bureaucratic backlash often encountered in a larger operation, says Gregory.

The ability to provide good, personalized service is partly a result of niche. Total Food Service Direction operates solely in Florida, and has no intention of moving out of state. Nor will it enter into any services outside of food. Gregory foresees great growth potential in the health-care and retirement markets.

SEILER/FDI CORP.
Waltham, Mass.
Year established: 1964
No. of accounts: 367
Area of operation: New England, Central, Midwest, Mid-Atlantic, Southeast
Sales: 1989: $376.1MM*; '88: $320MM*; '87: $224.4MM*
Ownership: Private; *PC:* Sodexho
No. of employees: 15,000
Strongest segment: Health care
Segment with most growth potential: Environmental services, health care, elder care
Acquisitions: In-Plant Catering, DCI (dietary concern), Western Foods. Linked with Food Dimensions as sister company

While Seiler/FDI declines to release exact figures on sales and sales growth, they have managed to come close to doubling in size over the last four to five years, according to Don Storer, president and COO of Seiler/FDI's health-care division. Savvy acquisitions are partly responsible.

The Seiler Corp. found a perfect complement when its parent, Sodexho, acquired Emeryville, Calif.-based Food Dimensions Inc. in 1988. Now, Seiler/FDI have a synergistic relationship: Seiler is one of the leaders in all segments of foodservice management on the East Coast while FDI is a leader in health-care foodservice in the West and Southwest.

"This may sound odd, but we have no desire to be the largest foodservice provider in the country," says Storer. "We simply want to provide the best quality and value." For that reason, while it will certainly pursue new accounts, especially in the Central region (including Wisconsin, Illinois, Minnesota and Indiana), the company has no plans to enter such service markets as day care or total facilities management. Nor does it have any intention of owning operations or building facilities such as life-care communities, as some of the larger contractors have done. "We are purely a *management* company," says Storer.

MARRIOTT CORP.
Washington, D.C.
Year established: 1927
No. of accounts: 2,050
Area of operation: National
Sales: 1989: $3,990MM; '88: $3,484MM; '87: $3,173MM
Ownership: Public
No. of employees: NA
Strongest segment: B&I
Segment with most growth potential: Health care
Mergers and acquisitions: Integ, Sogsabec (Canada), United Health, Eve, Saga, Sumitomo/Royal (Japan), Corporate Day Care

Anyone reading between the headlines of Marriott Corp.'s 1989 sale of its entire restaurant division can figure out that the company considers its contract food and services management division to be its No. 1 growth vehicle.

Marriott is leading the pack when it comes to branching out into non-food services. Spotting the trend toward the need for day care in today's corporate culture, Marriott acquired Corporate Child Care in 1989, which at this time operates facilities only on the East Coast. With the acquisition of United HealthServ Inc. in '89, Marriott became the second-largest player in the facilities-management segment.

Marriott sees incredible growth opportunities in the health-care market, (including foodservice and health-care facility management), in primary and secondary schools (it won 35 accounts last year alone), day care and assisted-living senior-care facilities, which it believes will be one of the strongest business segments by the year 2000. Marriott is building senior living centers (with nursing homes) at this time, but it might look into selling the properties and staying on to manage in the future, according to a company spokesperson.

International expansion is going strong as well. The acquisition of Sogsabec and Integ, two Canadian foodservice management companies, has strengthened Marriott's presence in that country, while the formation

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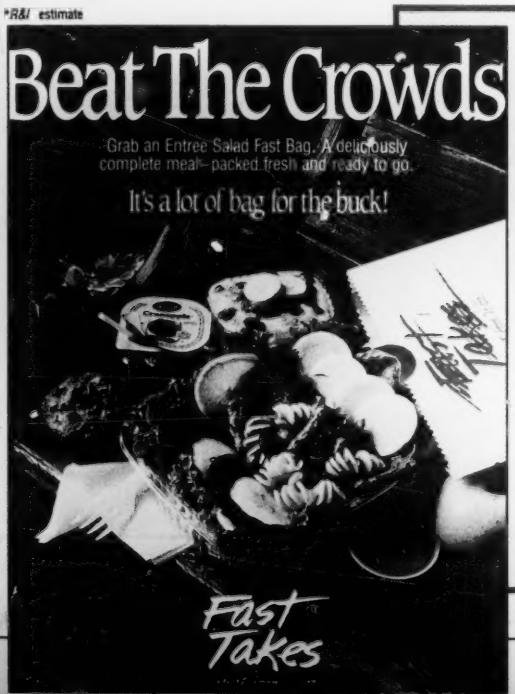
*R&I estimate


Beat The Crowds
Grab an Entree Salad Fast Bag. A deliciously complete meal- packed fresh and ready to go.
It's a lot of bag for the buck!
Fast Takes

Morrison's Fast Takes takeout program, an in-house branded concept geared to the grab-and-go customer, is ideal not only for regular accounts, but also fits in with the company's plan to expand its catering management business.

GROWTH CONTRACTORS

Many companies say the health-care segment holds the most growth potential.

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of Royal, Marriott, S.C. marks the beginning of business in Japan.

FLIK INTERNATIONAL CORP.
Mamaronek, N.J.
Year established: 1971
No. of accounts: 80
Area of operation: New York, New Jersey, Connecticut, Virginia
Sales: 1989: $30MM; '88: $27.5MM; '87: $23MM
Ownership: Private
No. of employees: 800
Strongest segment: B&I
Segment with most growth potential: B&I

Flik is yet another foodservice management company that plans to stay regional. Fortune 500 companies in Manhattan and the tri-state area (New York, New Jersey and Connecticut) are the clients of choice, but Flik also is known for capturing smaller accounts that larger competitors might ignore for fear of a low return on investment. "We've averaged 20% to 25% growth in earnings every year," says Julie Flik, executive vice president. "We expect that will continue, but we'll concentrate on increasing business with current clients over increasing the number of new clients."

While it will not expand its service area in the United States, the company is considering opportunities abroad. Many of Flik's clients are international companies, so several overseas connections already are in place. In addition, Ruediger Flik, president, is German and is most familiar with the European market.

Like other regional counterparts, Flik emphasizes food. Julie Flik sees no slowing in the demand for restaurant-quality food and service in the corporate sector. The higher-education segment also holds growth potential.

PROFESSIONAL FOOD-SERVICE MANAGEMENT
Jupiter, Fla.
Year established: 1965
No. of accounts: 138
Area of operation: Majority in Wisconsin, Tennessee, Kentucky, Texas
Sales: 1989: $90MM; '88: $82MM; '87: $70MM
Ownership: Private, with 30% ESOP
No. of employees: 6,000 (winter)
Strongest segment: Higher education
Segment with most growth potential: Higher education, B&I

Steady growth, averaging 10% a year over the past five years, is a trademark of this specialized foodservice company. But changes that might increase growth over the next two to three years are in the works. In 1989, PFM provided employees with a 30% share of the company through an employee stock option-plan it calls "A Piece of the Pie."

While the financial package involved in the ESOP will deter any active search for acquisition opportunities for the next four years (unless a great opportunity presents itself), the ESOP makes PFM an attractive employer. As a result, the company currently is carrying a full load of support staff that makes strong new account growth a probability, according to Lawrence Pande, president. "Growth rates run in spurts," he says. "And we are currently in a position to handle a lot more business."

Pande says the company will actively seek acquisitions in the future. Concentration in the higher-education market, PFM's bread and butter, accounts for slow but steady growth up to now, according to Pande. "We haven't branched out aggressively into other segments, so we haven't grown as rapidly as other companies that have been around as long as we have," he says.

But that's changing. The company is starting into the B&I segment and facilities management and thinks both hold great potential.

SOUTHERN FOODSERVICE MANAGEMENT
Birmingham, Ala.
Year established: 1951
No. of accounts: 90
Area of operation: National
Sales: 1989: $35MM; '88: $32MM; '87: $30MM
Ownership: Private
No. of employees: 1,050
Strongest segment: B&I
Segment with most growth potential: Health care

Southern Foodservice Management is a bit of an anomaly. While it compares to small regional companies in sales volume and philosophy, it has accounts in 20 states, making it national. Also, unlike many regionals, SFM is most receptive to service-expansion opportunities, including day care and en-

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Lackmann Food Service, in business since 1965, has a knack for merchandising its product, as this display shows. The company operates in New York, New Jersey, Connecticut and Florida only.

GROWTH CONTRACTORS

Will the B&I segment experience a resurgence of subsidy? One company says yes.

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vironmental services. "If the opportunity arises, and looks good, we'll definitely take it on," says Michael Barclay, vice president.

Today, Southern is embarking on a major expansion strategy, according to Barclay. The company is restructuring, hiring three regional sales directors (in addition to one regional director already in place in Atlanta) to cover four regions of the United States. Specific growth regions include Chicago, Dallas, Atlanta and all of Florida.

Despite its growth plans, Barclay says growth is not a priority. "We're a private company, and one of the benefits of being private is that we can grow at our own pace. We only take on clients we know we can serve well," he says. "This is in contrast to many of the larger companies who have set sales-growth goals, which, if not met, can mean heads will roll."

While the B&I segment represents the company's core business, Barclay says a major push is on to garner more health-care accounts. The education segment holds promise as well, but Barclay says SFM will target small, private institutions, having found larger institutions a poor financial risk.

MORRISON'S CUSTOM MANAGEMENT
Mobile, Ala.
Year established: 1952 (contract foodservice division)
No. of accounts: 892
Area of operation: National
Sales: 1989: $580MM; '88: $531MM; '87: $417MM
Ownership: Public
No. of employees: 12,000
Strongest segment: Health care
Segment with most growth potential: Health care, higher education
Acquisitions: Manask, Dobbs Food Service, Custom Management

While Morrison's strongest markets are in health care and colleges and universities, according to Joe Byrum, president and CEO, the catering market, both on- and off-premises is generating a great deal of excitement in the company as well. Morrison's presence in the catering arena was greatly enhanced with the acquisition of Manask, the Taluca Lake, Calif.-based foodservice management company, in 1989.

Byrum also sees a resurgence of small subsidies in the B&I market, making it an appealing segment as well. Regionally, Morrison's sees growth opportunities in the Midwest and in California.

New-account sales have always been Morrison's No. 1 method of growth. "A good reputation sells better than any flashy sales pitch," says Byrum. "Staying in constant touch, responding to needs, that's what a good reputation is all about." Byrum adds that creating a comfortable rapport with clients creates an environment for information exchange engendering new sales leads.

Acquisition is another strong growth vehicle. Morrison's priorities in qualifying a company for acquisition are people, first; service reputation, second; and financial situation, third. "If a company we're looking to acquire shows real promise in that it has good people and good client relationships, its financial situation won't be as important to us," says Byrum. "We can work with the first two and make the financial aspect successful."

LACKMANN FOOD SERVICE
Woodbury, N.Y.
Year established: 1965
No. of accounts: 47
Area of operation: New York, New Jersey, Connecticut, Florida
Sales: 1989: $39.3MM; '88: $37.3MM; '87: $31.5MM
Ownership: Private
No. of employees: 900
Strongest segment: B&I
Segment with most growth potential: B&I, higher education

In addition to its core business- and higher education-segment concentration, this regional company sees growth potential in catering facilities and commercial restaurant management. "In the past few years, management opportunities in these two areas seem to have slowed down a bit," says Thomas Lackmann, president. "But we've seen signs that they'll be boom areas in the next couple of years."

It is doubtful the company will ever merge with another contract outfit, according to Lackmann, but he doesn't discount the idea of his company acquiring another, though it has not happened in its 25-year history. Although he receives about six calls a year from companies interested in acquiring Lackmann Food Service, Lackmann

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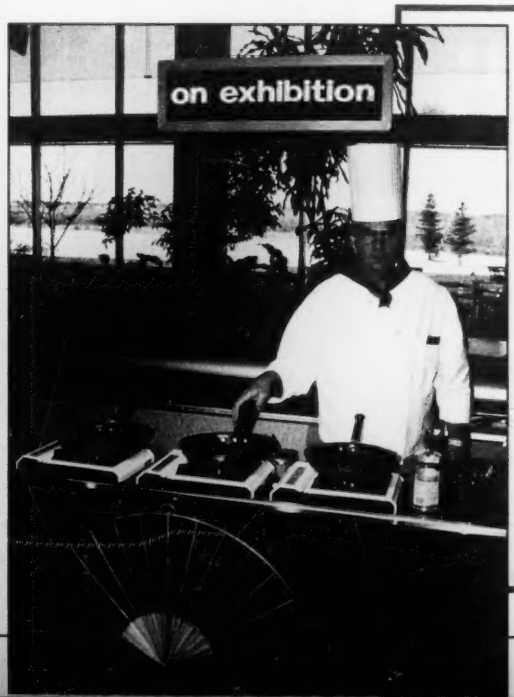

Carlo Castagneri is one of Consul's premiere chef-managers. At Dun & Bradstreet's Software Division in Minneapolis, he displays one of the company's "on exhibition" prep-to-order stations. In one year, the company has gained five accounts; a sixth and seventh are on the way.

GROWTH CONTRACTORS

Japanese and European markets are sparking U.S. contractor interest.

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just says no. "We have our own style of providing foodservice, and we've been very successful with it," says Lackmann. "We wouldn't want to jeopardize that." He adds that Lackmann will remain regional.

Lackmann doesn't think the company will have any problem reaching its goal of $55 to $60 million in sales by '94 or '95. Its Fresh Approach program, implementing small-batch cooking and totally fresh foods (all foods LFS prepares are 90% fat-free), has been revamped into the F.A.R.E program, Fresh Approach in a Retail Environment, which will give the company an even better edge when competing with commercial counterparts.

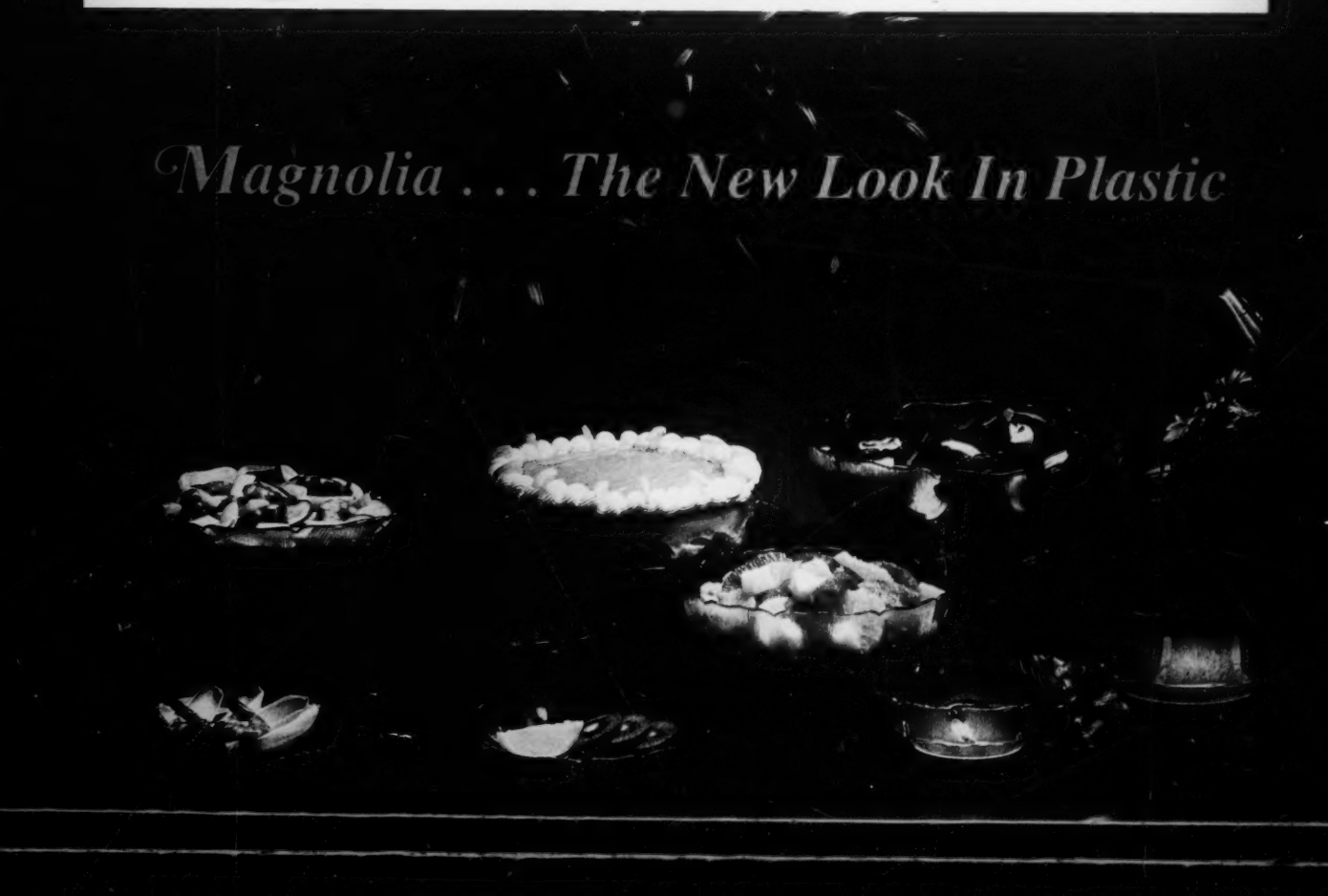
ARA
Philadelphia

Year established: 1959
No. of accounts: 2,600
Area of operation: National
Sales: 1989: $2,500MM; '88: $2,350MM; '87: $2,144MM
Ownership: Private
No. of employees: 135,000
Strongest segment: B&I
Segment with most growth potential: All segments
Acquisitions: Szabo, Children's World Learning Centers, Servisco

When it comes to the art of the leveraged buyout, ARA takes the prize. In 1984, 62 of the company's executive managers bought 12 million outstanding shares for $917 million in cash, providing them with an 18% share of equity. Another 7% of equity went to 10,000 participants in the company's retirement benefit plan. Although 75% of equity came from outside investors, no single outsider owns more than 6%. While ARA is still dealing with debt, its operating margin has increased to 10.6%, and it is doing $1 billion more in business than it did the year of the LBO, according to Joseph Neubauer, president and CEO.

Most of the LBO's success lies in ARA's careful management of debt, manifest in its remarkable ability to accurately predict cash flow. Also, productivity has greatly improved because of employees' sense of ownership—all employees have an interest in increasing sales averages.

ARA also improved profitability by ridding itself of marginal assets such as its trucking business and by reducing the number of nursing-home accounts. At the same time, smart acquisitions have paid off. ARA Group Inc., of which ARAServe is a division, has spent more than $400 million on about six acquisitions for the company's foodservice, leisure, day-care and linen-rental divisions.



DAKA INC.
Wakefield, Mass.
Year established: 1973
No. of accounts: 550
Area of operation: East Coast, Midwest
Sales: 1989: $109.6MM; '88: $104.9MM; '87: $83.8MM
Ownership: Public
No. of employees: 7,000
Strongest segment: B&I, education
Segment with most growth potential: B&I, education
Mergers: Fuddruckers (restaurant co.)

Since 1983, Daka has made several attempts to increase its presence by merging with other companies. There was an attempt to acquire a public restaurant company in '84, but the company went private. Then the contractor initiated merger talks with another contract company, but foresaw problems with overlapping of management and a difference of philosophy, and so walked away from the deal. "The old saying, always a bridesmaid, never a bride, comes to mind," says Chairman Terry Vince.

But in 1989, after two years of work, success came with the completion of the Fuddruckers merger, a public restaurant chain that was suffering financial trouble because of heavy overhead costs. Fuddruckers has the name and public standing Daka was searching for, while Daka had the money needed to turn the chain around. Although the merger was expensive to Daka (in 1989, it posted a $5 million loss, the first in its history), profitability is up at both companies this year.

"We're right back on budget," says Vince. He attributes renewed profitability to reduced overhead costs. Now such functions as purchasing, accounting and training are combined for both companies. Also, going public has forced Daka to become more financially responsible. "We had some less-profitable clients that we'd carried for years because we were fat and happy and we could afford to," explains Vince. "We've since had to let them go and are now concentrating on higher-fee accounts."

Hot growth markets include Washington, D.C.; Baltimore; Chicago; Milwaukee; and especially New York. Daka will continue to look for acquisitions. "Rather than just moving into a new market under our own name, we'll look for a small, local company that already has a name and business set in a market we're interested in," says Vince.

CONSUL RESTAURANT CORP.
Bloomington, Minn.
Year established: 1989 (contract foodservice)
No. of accounts: 5
Area of operation: National
Sales: 1989: $500,000
Ownership: Public
No. of employees: 50
Strongest segment: B&I
Segment with most growth potential: B&I, higher education

The management team of the contract foodservice division of Consul Restaurant Corp.—including John Nelson, vice president and division

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CARLISLE

GROWTH CONTRACTORS

Acquisitions work best when acquired companies are able to retain the qualities that made them targets.

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general manager; Gus Gaustad, director of operations; and David Toay, district manager—are ex-Saga executives, and they want clients to know it. "We had something at Saga that was unlike any other company," says Nelson. "Saga had an incredible reputation for quality, service and ethics. And those qualities will be what Consul is all about as well."

In one year, Consul has acquired five accounts, including Pillsbury's Technology Center in Minneapolis and Dun & Bradstreet headquarters in Atlanta; a sixth and seventh are imminent. The Dun & Bradstreet account, which Consul got through a word-of-mouth recommendation, is especially fortuitous in that it provides a foothold into the Atlanta market, considered to be a great growth area by the company. Otherwise, the upper Midwest, especially Minneapolis, St. Paul, Minn., Omaha, Neb., and Des Moines, Iowa, will be areas of concentration.

The upper Midwest is extremely undersaturated by contractors, according to Nelson, who feels there is enough business to be generated for years to come. "We're already getting calls for bids," says Nelson. "I had to turn someone down today because we might have another account coming in at the same time. If we can't promise total attention, we won't take an account." The company has plans to expand into the colleges and universities segment in another year.

COMPANIES TO WATCH

□ **Canteen Corp.**, Chicago, reports a record year for new business and substantial reduction in terminated accounts. The company's restructuring, (in which three divisional presidents overseeing the Eastern, Central and Western regions report to CEO Jerome Richardson), will help to increase new business because field-level operations will be less bogged down with administrative tie-ups, according to a company spokesman. In addition to the B&I segment, the company says corrections, retirement and nursing-home segments hold growth opportunities.

□ **Service America**, the fourth-largest contractor in *R&I*'s 400 ranking, is in the midst of restructuring the debt from its 1987 LBO. The company is renegotiating its current bond situation—the goal is to have more cash to use toward operating the business, less to be used toward repaying interest on the loan, according to Tighe Merkert, vice president of marketing.

"1989 was a rough year for operating profits," says Merkert. "But in the first quarter of this year, we already have $25 million in new installed business and account terminations are way down from the same quarter last year." The company will concentrate on building business in the B&I, recreation services and higher-education segments; corrections foodservice is growing as well. The hottest region for growth is the Northeast, says Merkert. Service America opened its National Training Center early this year. The center, which provides a two-week course to all company managers, will help improve the overall productivity in the company, in everything from purchasing to employee relations, says Merkert.

□ Changes are afoot at Phoenix-based **Greyhound Dial**, as well. All eight divisions of subsidiary Greyhound Food Management, including Faber gifts shops, truck stops, Burger King franchises, Glacier Park resorts, public service cafeterias and Restaura, the traditional foodservice management division, will be identified under the Restaura name. Greyhound International Travel will be known as JetSave, and Greyhound ExhibitGroup will be known simply as ExhibitGroup. Why the name changes? The Greyhound Bus Line division, sold off several years back, is in Chapter 11, so the Greyhound name is carrying a stigma to which Greyhound Dial would rather not be connected.

The Restaura division expects to see an 8% to 12% increase in revenues this year, according to Brad Parker, manager of advertising and public relations. He adds that the division is well positioned to grow even with a slowdown in the economy, because its debt is low and it has trimmed unprofitable business. R&I

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■ JOB$ '90

Attitude Aptitude

Is your job all it's cracked up to be? Take R&I's JOB$ quiz and compare your opinions about career and industry issues with those of your executive colleagues.

By Jeff Weinstein

A job is supposed to mean more than just a paycheck. It should mean a fulfilling career, jam-packed with challenging and rewarding experiences. After all, this is the hospitality industry—delivering good service, good food and good times can be fun.

So can the business side of the business. The chance to watch an operation grow and gain an outstanding reputation in the community or across the country really makes donning the corporate uniform worthwhile.

But is all this talk reality, or just a silly dream? If foodservice is such a great industry, why is the turnover rate, even at the executive level, so high? This year's survey respondents tell why: Frustration runs neck and neck with the challenges and rewards. Perhaps a change of career into the institutional segment of the foodservice industry would better suit chain executives dealing with burnout after years of long, hard hours.

The frustration and complication promises only to get worse as foodservice heads into the '90s, and previously untested ethical and moral dilemmas become apparent. Women, while making some strides forward, have yet to crack the "old-boy" network. The number of minority executives in the industry can be counted on two hands. More companies are carefully forming AIDS, drug-testing and recycling policies.

You and your colleagues' thoughts on these matters can found in the results from *R&I*'s 22nd annual JOB$ survey. Just as Part I of JOB$ did ("Salary Savvy," Sept. 5, p. 36), this edition of JOB$ uses a quiz format to test your knowledge of prevailing attitudes of more than 2,500 middle- and top-level executives from all segments of the foodservice industry. So take the test and see how your views stack up in today's foodservice world.

JOBS QUIZ PART II: A CAREER REALITY CHECK

1. In which segment are executives most challenged by their job?
   a. College/university
   b. Fast food
   c. Catering
   d. Hospital

2. What do executives cite as the No. 1 reason for entering the foodservice field?
   a. Interest in good food
   b. Just drifted in
   c. Desire to serve people
   d. To make money

3. What do executives cite as the most important reward they get from their job?
   a. Money
   b. Competing and winning
   c. Serving others
   d. Feeling of accomplishment

4. Which age group leaves its job most often because of relocation?
   a. 56 to 65
   b. 25 or less
   c. 46 to 55
   d. Over 65

5. What percentage of executives approve of drug testing at the work site?
   a. 11.6%
   b. 34.1%
   c. 68.7%
   d. 52.5%

6. Executives from which segment say they are most interested in working in another segment of foodservice?
   a. Family dining
   b. Fast food
   c. Hospitals
   d. Employee feeding

7. What percentage of executives think women are making great strides in foodservice careers?
   a. 26.6%
   b. 84.2%
   c. 49.3%
   d. 69.9%

8. Which executive has the strongest belief that loyalty is an outmoded idea in the foodservice industry?
   a. Unit manager
   b. Purchasing manager
   c. Food & beverage director
   d. Executive chef

9. Executives from which segment have the most trouble juggling a career and a personal relationship?
   a. Fine dining
   b. Lodging
   c. Military
   d. Fast food

10. Where would most executives like to be in five years?
    a. Better job; same company
    b. Where they are now
    c. Owner of foodservice operation
    d. In a different industry

JOB$ '90

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Regional managers are the most challenged, yet the most frustrated by their job

1 If a job in foodservice is anything, it is challenging. No two days are alike. The demands, both on time and patience, are unending. For instance, who would be willing to meet a request such as "no green gumdrops in the candy dish?" The answer: caterers, the most challenged foodservice executive, according to 1990 JOB$ survey results. Compared to an industry average of 71%, about 85% of caterers consider their jobs challenging. At the other end of the spectrum, only 57% of assistant unit managers and dietitians are challenged by their work.

"These numbers don't surprise me," says Chip Fisher of Fisher & Levy catering, New York City. "The catering industry has gone from the stone age to the modern age the way the restaurant business did from 1975 to 1990."

Among job titles, 83% of area/regional managers consider themselves challenged. That stimulation, however, is not always positive because it is that same group (62%) that reports being frustrated by their job most often.

When broken down by gender, the survey shows 52.4% of females are frustrated with their jobs vs. 42.3% for males.

There is hope, however. Survey results indicate frustration levels decrease as age and income increase. About 27.5% of those who are over age 56 or making more than $75,000 report job frustration, while 50% of those who are age 26 to 35 or making $20,000 are frustrated with their job.

2 Ten years ago, executives offered a number of similarly weighted reasons for entering the foodservice industry. The desire to serve people and make money were about as important as anything else. In 1990, however, interest in good food is the overwhelming No. 1 reason for starting a foodservice career. The desire to serve people just edges out making money as the No. 2 choice. Interest in nutrition is the fourth choice.

It's not surprising that 65% of catering executives are lured into the business because of their interest in gastronomics, compared to just 21.5% for fast-food management.

What's the draw for fast-food executives? By far, it is money. More than 53% are lured into the industry by the almighty dollar. Another 39% in fast-food entered the industry with the goal of becoming their own boss. And 26% just drifted in.

Money also appeals to 42.4% of males but only 25.9% of females. The survey indicates females are much more interested in food, service and nutrition. This response also is in line with the higher population of women in the institutional segment of foodservice and in careers such as dietetics.

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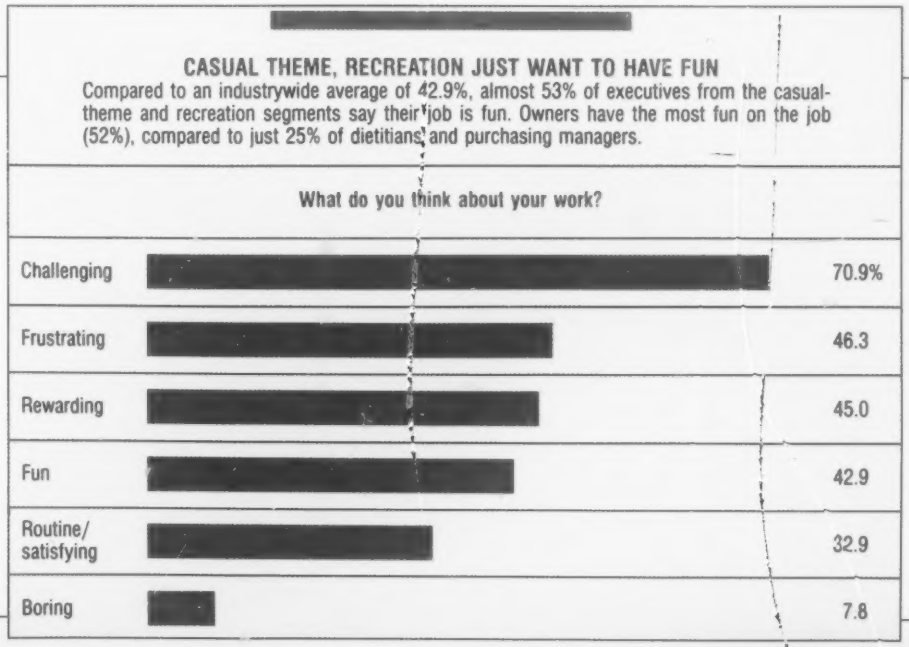
CASUAL THEME, RECREATION JUST WANT TO HAVE FUN

Compared to an industrywide average of 42.9%, almost 53% of executives from the casual-theme and recreation segments say their job is fun. Owners have the most fun on the job (52%), compared to just 25% of dietitians and purchasing managers.



Source: 1990 *R&I* JOB$ survey

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Interest in good food is the No. 1 reason executives start a foodservice career.

3 Along with the constant challenges posed by a foodservice management position comes a strong feeling of accomplishment, which is cited by executives far and away as the most important reward gained from their job.

The satisfaction of a job well done is important to two-thirds of all JOB$ survey respondents.

"Accomplishment will always be the most important," says Molly Hancock, director of operations for Consolidated Restaurants, a chain of full-service operations in Seattle. "This will never be a 40-hour-a-week job, so the industry will always be composed of people who do it because they choose to do so."

Nonetheless, the importance of achievement and the reward of serving others has dipped slightly over the last 10 years. Meanwhile, the ability to make money and compete and win are gaining in the eyes of today's ambitious managers.

When comparing attitudinal responses of managers and their assistants, one can conclude that personal satisfaction grows with increased responsibility. A feeling of accomplishment is the most important reward for approximately 70% of unit managers and F&B directors, but just 58.5% for their assistants. Conversely, the reward of serving others is important to 29% of assistants—but only 15% of their bosses.

4 Relocation is a fact of life for foodservice executives on both ends of the age spectrum. Twenty-one percent of survey respondents 25 years old or younger left their last job because of relocation. That number steadily decreases to less than 15% until age 56, when the number jumps back up to 19.7%.

But what is it that causes executives to make that move? The leading reason for a job change is advancement. Almost 47% of all managers cite wanting more responsibility as the reason they change scenery. About 57% of executive chefs leave to get ahead.

"A lot of executive chefs do leave to better themselves but I don't think that is the leading reason," says Michael Grasso, former executive chef and currently general manager of the Zodiac Room at Neiman-Marcus in Chicago. "They change positions a great deal because they are unhappy with their current situation, things such as the quality of employees in the kitchen or their lack of ability to exercise control over the whole restaurant."

Leaving for more money is cited by 21.6% of all respondents.

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ATTITUDES PAST AND PRESENT

Executives' interest in food, nutrition and, of course, money has grown steadily since 1980, as has the desire to become their own boss. Meanwhile, the yearning to serve others and feeling of accomplishment have diminished as the most important rewards.

Reasons for entering foodservice field	1980	1990
Interest in good food	29.9%	47.6%
Desire to serve people	27.3	36.6
Just drifted in	24.1	21.9
To make money	23.5	36.0
Interest in nutrition	21.8	28.4
Desire to be own boss	19.4	28.3
Good field for women, minorities	7.2	9.6
To join the family business	6.8	7.0
Most important reward from job		
Feeling of accomplishment	71.5%	66.6%
Serving others	22.9	18.4
Money	17.3	19.9
Competing and winning	11.3	12.9
No satisfaction	2.6	2.1

Source: 1990 *R&I* JOB$ survey

JOB$ '90

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Only 29% of executives say their companies are doing enough to clean up the environment.

5

While America is saying "no" to drugs, corporate America is saying "yes" to drug testing. Fully 68.7% of JOB$ respondents (63.5% commercial vs. 75.8% institutional) approve of drug testing at the work site.

"It's easy to say you're for drug testing, but when it comes to implementing a program, it becomes much more difficult," says a human resource director for a large fast-food chain. "We have implemented a plan to test upon approval. But so far I haven't approved any. The policy acts as a deterrent."

Among the more adamant supporters of drug testing are the transportation segment (100%), military/correctional (83%), recreation (81%) and hospital (78.5%).

6

Ah, variety, the spice of life—and a foodservice career as well. Approximately 69% of JOB$ survey respondents would not mind working in another segment of foodservice. Most interested in jumping ship are 76.5% of executives from the family-dining segment.

The person most likely to change jobs is the unit manager; more than 78% would consider a good opportunity. Those least interested in change are managers from the private clubs (53.8%) and school foodservice (61.9%).

7

Women are still struggling for their rightful posts in the executive suite. But according to 69.9% of JOB$ respondents, women are making great strides in their careers.

Disagreement between male and female respondents on the question is not extreme. Almost three-fourths of males say females are getting ahead, compared to 62.8% of females.

"I feel I have been well taken care of, and we have several other women in the company who are highly respected as managers," says Hancock of Consolidated Restaurants. "My perception since I started in the restaurant industry 16 years ago is that gender is no longer a criteria today."

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MAKING A STATEMENT

Among the new topics covered this year, drug testing makes sense to a solid majority of executives. While operators are doing their share to hire the disadvantaged, they seem to be dropping the ball with the tough question of how to handle AIDS-afflicted workers and their ability to feed the hungry and homeless in America.

% who agree with the following statements

	Commercial	Institutional
Women are making great strides in foodservice careers.	73.3%	65.1%
I approve of drug testing at the job site.	63.5	75.8
I wouldn't mind working in another foodservice segment.	68.8	68.6
My organization lives up to its commitments to employees.	56.8	58.5
My company is hiring enough handicapped, elderly, minorities.	51.7	61.8
Foodservice is a prestigious career.	60.1	48.1
Foodservice offers me better opportunities for advancement.	46.4	30.0
I don't have to worry about job security in foodservice.	39.2	34.3
My company is handling AIDS-afflicted employees properly.	22.2	41.7
Foodservice pays well.	35.5	20.8
My company is doing enough to clean up the environment.	29.8	28.3
Company loyalty is an outmoded idea.	27.7	28.9
My organization has a clear career path mapped out for me.	30.4	23.4
My company is doing enough to feed the hungry, homeless.	22.2	25.4

Source: 1990 *R&I* JOB$ survey

JOB$ '90

continued from page 86

Almost one-fifth of executives want to be working in a different industry in five years.

8

Even through the "Me" generation, the idea of staying loyal to an employer has survived. Only 28% of JOB$ respondents agree that company loyalty is an outmoded idea. But cynicism is greatest among food and beverage directors, as 41.8% believe loyalty is a thing of the past.

Loyalty remains a strong value among 80% in the catering segment but only 59.8% in hospital foodservice.

9

Because of the long and late hours associated with a job in the hospitality industry, juggling a personal life will always be tricky. This year's JOB$ results reveal that management from the lodging segment has the toughest time balancing the two. Nearly 58% say their job has a negative affect on personal relationships. The news is not very rosy in the fine-dining segment either, as 50% say their job throws a monkey wrench into their personal life.

"What personal life?" says a food and beverage director for a leading hotel chain. "It's an 80-hour-a-week job. And that is if you're not busy. Otherwise it is more like 110 or 120 hours a week. . . . And if I'm not on the job putting in the long hours, I know I'll lose my job."

If the pressure is too much, try the institutional side of foodservice, where only 22.7% say their career gets in the way of personal happiness.

Also, take heart in a comparison to last year's survey results. Those who report their job having a positive effect on their personal life increased from 17.2% in 1989 to 20.3% in 1990.

10

News flash for personnel executives: Loyalty lives. When asked where they would like to be in five years, 31% of foodservice executives want to be with the company they are with now but in a better position.

Given those conditions, 39.4% of management personnel from lodging, 44.7% from college and university foodservice, and 47.6% from recreation would stay with their employer.

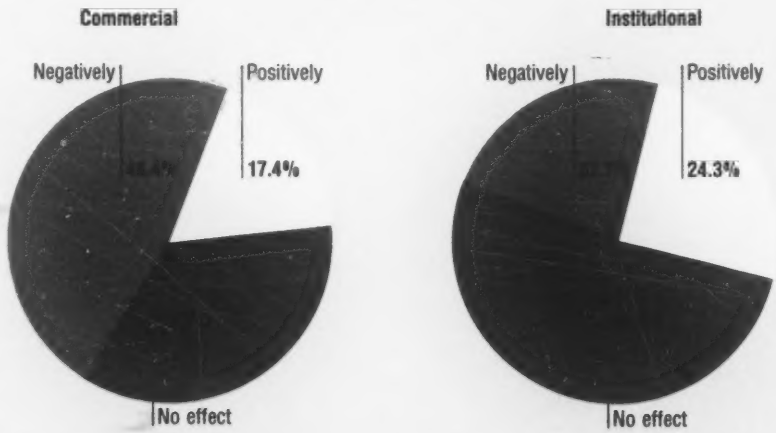
About 21% of the crystal-ball gazers see themselves owning their own foodservice operation in five years. This is the dream for 35.8% of executive chefs, 34.5% of assistant unit managers and 31.5% of unit managers.

Another 15% envision themselves in a different industry altogether by 1995; more than 20% from the fast-food segment. **R&I**

ROLLING WITH THE PUNCHES

The long hours associated with commercial foodservice can take a toll on personal relationships. There is hope, however. Those who say work has a negative impact on their private life decreased from 49.6% in 1989 to 46.4% this year.

How does your career affect your personal relationship?



Source: 1990 *R&I* JOB$ survey

ACTION EXPRESS

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